Apr. 30, 1960
Export problems
Nat. Hide Assoc.
Colorado Springs

UNITED STATES DEPARTMENT OF AGRICULTURE

Washington 25, D. C.

EXPORT PROBLEMS IN A CHANGING WORLD

Remarks by Clarence L. Miller, Assistant Secretary for Marketing and Foreign Agriculture, at meeting of the National Hide Association, Colorado Springs, Colorado, April 30, 1960.

It is indeed a pleasure to be with you.

Let me say right at the beginning that the Department of Agriculture is highly aware of your industry and its important role. Some people tend to think of the livestock industry in terms of juicy steaks or sizzling pork chops. Let me assure you that while I enjoy steaks and chops as well as anyone, I equally appreciate the pair of shoes I walk on and the leather belt I wear around my trousers. Both as a Government official and a consumer, I'm glad you people are in business!

The subject that you assigned me is "Export Problems in a Changing World." It is a changing world and these changes affect all parts of agriculture, including the livestock industry. Our country does a big two-way business with many other countries in livestock products. We sell overseas a substantial part of our output of lard, tallow, variety meats, casings, and hides and skins. While we have always been a large importer of hides and skins, in recent years we have also exported large quantities of cattle hides and calf and kip skins.

Your industry, with its foreign trade activities, is part of a big movement that has taken place -- and continues to take place today -- to broaden and deepen the role of American agriculture in the world agricultural market. American agriculture with its vast array of products, is the world's largest exporter of agricultural commodities. We were large in the past; we are even larger today. During the past 10 years not only have the exports of hides and skins increased but also practically

every other agricultural commodity that we produce. This means additional income for farmers, ranchers, and all the associated processing and handling people such as your Association members.

As background for your own foreign trade relations, I think you will be interested in knowing that during this year that ends June 30, we expect total exports of agricultural commodities to reach a value of $4.5 billion. This is coming close to the all-time record. The only year to top it was 1956-57 when the Suez crisis stimulated some scare buying.

New export records are being hung up for exports of feedgrains, soybeans, protein meal, poultry meat, and tallow. Exports of rice and of cottonseed and soybean oils will be the second highest in history. Lard exports will be the second highest since World War II. Cotton exports will more than double last year's total. Wheat exports will probably exceed last year's high level by at least 20 million bushels.

These favorable export levels are not accidental. They are the result of a lot of effort on the part of a lot of people, including producers, industry, and Government, all working together.

In this area of foreign marketing we have made progress in the past 10 years. In 1950 American agriculture was beginning to get worried about its export situation For some years exporting had been easy. During the war and immediately afterward, our friends and allies would take about everything we could send them. But by 1950 foreign agricultural production was recovering, our competitors were back in busines and some new ones had appeared. In 1950 our agricultural exports had begun to slump There was a temporary upsurge in 1951 and a further increase in 1952, due to the conflict in Korea. But in 1953 our national export total for farm products dropped to $2.8 billion, lowest in the postwar period.

This became a turning point in U.S. agricultural export history. Something neede to be done, and it was done. The agricultural trade and commodity groups, the farm organizations, the Administration, the Congress -- these and others, through team effort, set in motion a number of positive steps which in these years that followed have successfully reversed the downward trend and raised our agricultural exports to new high levels.

I know that many of the actions taken are well known to you, but I think you might find it interesting just to recall a few.

One action was to strengthen the export services of the Department of Agricultur A Foreign Agricultural Service was reestablished with specific purpose of giving aggressive leadership to expanding U.S. agricultural exports.

Secondly, a program was set up under the title of Public Law 480. The main purpose of this program was to make it possible to do business with the less developed countries that lack dollars with which to buy. Public Law 480 permits us to move our surplus farm products by selling them for foreign currencies, by bartering them for strategic supplies, or by donating them as a means of helping needy people.

Since 1954, the first year of the program, about $6 billion worth of U.S. farm products have been exported under the Public Law 480 authority. This is slightly over one-fourth of our agricultural exports during the period. For some commodities, the portions moving under P.L. 480 (quantity basis) have been especially important. Last year, for example, the portions were: wheat, 66 percent; cotton, 35 percent; rice, 36 percent; vegetable oils, 74 percent. Without this program we can expect that our surpluses would be much larger than they are today and also many foreign people who received supplies would have been denied those supplies.

A third action has been the establishing of a program of close cooperation between the Department of Agriculture and U.S. industry groups -- such as your own association -- with the specific objective of solving foreign trade problems and expanding foreign markets.

We have foreign market development programs today with about all major agricultural commodity groups. The work is being done on a cost-sharing basis. We contribute foreign currencies growing out of the Public Law 480 sales program and our cooperators contribute personnel, supplies, services, and dollars.

In this work to develop foreign markets, a number of techniques are being used. They include product introduction, exhibits and demonstrations, surveys and studies of market potential, publicity and advertising, nutrition and sanitation education, exchange of management and technical personnel, technical assistance, and sales training.

One rather dramatic aspect of this cooperative work is our participation in international trade fairs. At the first of this year, American farm products had been shown in 48 such fairs, reaching over 23 million people in 17 countries.

So we see that there have been some changes -- some good changes -- in the agricultural export picture in these recent years. We have some new flexibility in our agricultural exporting. Where foreign customers have dollars, we try to sell for dollars. Where they don't have dollars, we often can move some of our products unde the Public Law 480 program.

But I would like to emphasize that, despite our new Government export programs, our main emphasis is on expanding that portion of our agricultural exports that is sold for dollars. This is the way you do business; this is the preferred way to do business. Out of this year's expected exports of $4.5 billion, we estimate the dollar sales

portion at $3.3 billion or 73 percent. This would be the second highest value of our farm products exported for dollars in history.

In the period ahead we expect to place considerable emphasis on two things. One is the constant promoting of our products in foreign markets through cooperative work with private groups such as your own. The other priority will be given to getting foreign trade barriers relaxed. No matter how hard we work on the merchandising end of foreign marketing, such work can be frustrated if the trade policies of other countries give our products only limited access to their markets. Many countries, especially those of Western Europe, are in good financial condition. The United States Government, at the highest levels, is insisting that trade barriers set up when foreign exchange was scarce be removed now that foreign exchange is plentiful.

So much for the broad export picture of which you are a part. I'd like to return now to the specific situation with regard to hides and skins. In my view, three aspects of your foreign trade operations stand out:

First, your industry is doing remarkably well as a relative newcomer to the expor game;

Second, you have some specific problems -- which I am sure can be solved;

Third, your export outlook is favorable.

In saying that your industry is relatively new in the export game, I am thinking back to the year 1950 when I doubt your association would have seen much reason to have a speaker on the subject of exports. In 1950 we were net importers of hides and skins. We didn't become net exporters until 1953.

In 1950 the United States exported only 402,000 cattle hides and only 405,000 calf and kip skins. That was less than 2 percent of domestic output. But after 1953 your export operations really took hold and by 1957 we were exporting the hides and skins from one-fourth of our domestic slaughter of cattle and calves.

As we all know, our exports of hides and skins weren't able to maintain that pace and they dropped back some during the past two years. This was due to the temporary recession in some of the foreign markets and to a sharp rise in hide prices in 1959. Nevertheless, a substantial movement of U.S. hides and skins to foreign markets continues to take place and I see no reason why it should not continue to do so in the future.

It's interesting to note why we have shifted from net importer to net exporter of hides and skins. For one thing, we have the supplies. Cattle numbers have gone up, which has meant more hides and skins. Along with this, use of synthetics in shoes and leather goods has cut somewhat into domestic consumption, leaving more hides and skins for export. Finally, prices generally have been low enough to attract foreign buyers.

Incidentally, I might mention that in this period when substantial amounts of our farm products are moving overseas under special Government programs, your exports of hides and skins are being sold almost entirely for dollars and without Government aid. Your biggest purchasers include Japan, the Netherlands, West Germany, Canada, and Mexico. Most are well developed countries that have sound economies. This puts you in a good marketing position.

I listed as a second aspect of your foreign trade operations the fact that you have specific problems. Among these are trade barriers and meeting foreign competition.

You are more fortunate with respect to trade barrier problems than some of the other commodity groups. I grew up in the tobacco industry and my people are having a very tough time in getting their product into certain countries. But the countries with whom you do business are relatively liberal in their treatment of imports of

hides and skins. In most major European markets, hides are imported free of duty and are not restricted by licensing, quotas, preferential duties, etc. Among countries that still maintain limitations on hide imports, some have liberalized restrictions in the last year or two as their balances of trade with the United States improved.

A current example of improving treatment is Japan. Japan is our largest cattle hide market and there has been some concern over its import regulations. Japan has two systems, "A.A." or Automatic Approval, and "F.A." or Foreign Exchange Allocation. Imports of hides from the U.S. and Canada have been falling under the more restrictive allocation system, whereas imports from Australia and New Zealand have been on the automatic system which has given them a competitive advantage. I am happy to say, however, that Japan recently announced that imports of hides and skins from all countries will be placed on the automatic list by the end of August.

Where trade restrictions against our products exist, the United States Government is continuing to negotiate both with individual countries and multilaterally through the General Agreement on Tariffs and Trade, in order to reduce or to eliminate such barriers.

The other aspect of your export problems is that of meeting competition. Your foreign competitors are actively trying to improve their product. In Africa, where the age-old method of drying is used, many hides are now being suspension-dried which causes less deterioration than the previous ground-drying method. I understand that the British are experimenting with the use of radiation in curing as an alternative to present salt-curing methods. Other countries are stepping up their efforts to control ticks, grubs, and other pests that lower quality of hides.

I am happy to say that your own industry is keeping right up to date and is makin rapid strides in this matter of quality improvement. I am well acquainted with the

cooperative project wherein your association, along with others in the industry and with the Department's Foreign Agricultural Service, sent teams to Western Europe and Japan to study our markets. These men heard many complaints about our hides, including problems caused by grubs, brands, and manure. They brought back suggestions for improving our hide export business and many of these were adopted.

I want to compliment your industry on your overall effort to improve quality through adoption of better techniques. New machines have been developed to do a better job of defleshing and demanuring. New methods have been devised to reduce the time required for curing. Improved methods of grub control have been developed. Government and industry are cooperating closely in research projects designed to broaden the market for hides and skins. All of this adds up to an enlighted approach and some real progress.

Against all this background and as the final part of my talk, I'd like to say a word about the future. What's the outlook for exports of hides and skins?

I think the outlook is favorable. Many countries that buy our hides and skins are in excellent financial position. Our problem is to supply them with a product that matches the product of our competitors in price and in quality.

Price, of course, will continue to be a primary factor affecting the volume of your exports of hides and skins. As you know so well, hide supplies are expected to expand with the upturn in the cattle slaughter cycle. With supplies expanding and with domestic demand limited by greater use of leather substitutes, we do not foresee any sharp rise in prices such as we had last year.

We think that on the supply side we will temporarily have some advantage over our competitors. Exports of hides and skins from Argentina were down slightly last year and may be down even more this year because of reduced stocks. Supplies from

Australia are also expected to be lower because of the reduced slaughter this season. But this is probably a temporary downturn. We expect there will be a long term upward trend in the cattle population in Argentina, Australia, and other major producing countries.

The immediate future for your export operations looks good but no doubt you will have to reckon with increasing competition in the years ahead. I'd like to emphasize once more, however, that you should continue to have a substantial foreign market if our hides and skins are competitive in price and quality. I don't look on this as a problem for the Government to solve; rather, it is one that can best be met through private industry. Through your association you are doing much today and you have the opportunity to do even more in the future to help create and maintain a climate that is favorable to vigorous export trade. We of the Department sincerely hope that you will keep up your good work and we want to lend a helping hand wherever it is desirable that we do so. Thank you very much for this fine opportunity to meet with you.

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Remarks by Clarence L. Miller, Assistant Secretary for Marketing and Foreign Agriculture, at meeting of the Rice Millers Association, Dallas, Texas, May 19, 1960.

I am impressed by the fact that this is the 61st meeting of your association. If a recording of your first annual meeting had been made, a play-back today might show marketing to have been an important part of your discussions 61 years ago, just as it is today.

As times change, new problems arise and new solutions have to be found. Any agricultural organization which has stood the test of 61 years and still remains a virile association undoubtedly must have been effective in meeting the problems of its industry.

American agriculture is, of course, vastly different today from what it was at the turn of the century. Among the differences, one in particular stands out -- and this is the fact that American agriculture, by and large, is more marketing conscious today than it has ever been before. As you people of the rice industry know so well, it isn't enough just to produce a commodity, no matter how efficiently you produce it -- the industry also has to find a home for that commodity after it's harvested.

Furthermore, the export side of marketing is more in the news than ever before. Our agricultural efficiency and production have expanded so greatly that large foreign outlets have become essential. Your own industry is a good example. You have always exported some rice, ever since the late 17th century when it was first

cultivated in South Carolina. But your exports were not large; even back in 1900 when your association was new, we grew rice on only 361,000 acres, the average yield was 1,219 pounds per acre, and our exports for the year were 46,000 bags. By contrast, this year rice acreage is 1.6 million acres, up $4\frac{1}{2}$ times. The average yield is over 3,300 pounds, up nearly 3 times. And rice exports this current season will be over 20 million cwt. of milled rice, which is an expansion by many thousands.

The most current example of export deals in rice is, of course, the new agreement with India that was announced only a few days ago. Under the Public Law 480 program, India has agreed to buy 22 million bags of U.S. rice over a four year period with payment in rupees. India intends to use this rice to build reserve stocks against future needs. (I might add that this rice is in addition to 587 million bushels of wheat, also included in the agreement.) A tremendously large deal such as this has favorable impact upon both our countries. For India, which is chronically short of food, it means a greatly expanded food supply for its people. For the United States, it means a much needed expansion of outlets. The scope of this transaction is indicated by the fact that the rice involved in the four year agreement is substantially more than half an average U.S. rice crop and also substantially more rice than we consume as food in any one year.

The great expansion that has taken place in our rice exports has been matched by similar expansion in exports of a number of our farm products. There has been a general broadening and deepening of our world marketing operations. American agriculture, with its vast array of products, stands today as the world's largest exporter of agricultural commodities. We were large in the past; we are even larger today. Not only have the exports of rice increased by also practically every other agricultural commodity that we produce. This means additional income for farmers,

ranchers, and all the associated processing and handling people such as your association members.

As background for your own foreign trade relations, I think you will be interested in knowing that during this year that ends June 30, we expect total exports of agricultural commodities to reach a value of $4.5 billion. This is coming close to the all-time record. The only year to top it was 1956-57 when the Suez crisis stimulated some scare buying.

New records are being hung up for exports of feedgrains, soybeans, protein meal, poultry meat, and tallow. Exports of rice and of cottonseed and soybean oils will be the second highest in history. Lard exports will be the second highest since World War II. Cotton exports will more than double last year's total. Wheat exports will probably exceed last year's high level by at least 30 million bushels.

These favorable export levels are not accidental. They are the result of a lot of effort on the part of a lot of people, including producers, industry, and Government, all working together.

In this area of foreign marketing we have made progress in the past 10 years. In 1950 American agriculture was beginning to get worried about its export situation. For some years exporting had been easy. During the war and immediately afterward, our friends and allies would take about everything we could send them. But by 1950 foreign agricultural production was recovering, our competitors were back in business, and some new ones had appeared. In 1950 our agricultural exports had begun to slump. There was a temporary upsurge in 1951 and a further increase in 1952, due to the conflict in Korea. But in 1953 our national export total for farm products dropped to $2.8 billion, lowest in the postwar period.

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I know that many of the actions taken are well known to you, but I think you might find it interesting just to recall a few.

One action was to strengthen the export services of the Department of Agriculture. A Foreign Agricultural Service was reestablished with specific purpose of giving aggressive leadership to expanding U.S. agricultural exports.

Secondly, a program was set up under the title of Public Law 480. The main purpose of this program was to make it possible to do business with the less developed countries that lack dollars with which to buy. Public Law 480 permits us to move our surplus farm products by selling them for foreign currencies, by bartering them for strategic supplies, or by donating them as a means of helping needy people.

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A third action has been the establishing of a program of close cooperation

between the Department of Agriculture and U.S. industry groups -- such as your own association -- with the specific objective of solving foreign trade problems and expanding foreign markets.

We have foreign market development programs today with about all major agricultural commodity groups. The work is being done on a cost-sharing basis. We contribute foreign currencies growing out of the Public Law 480 sales program and our cooperators contribute personnel, supplies, services, and dollars.

In this work to develop foreign markets, a number of techniques are being used. They include product introduction, exhibits and demonstrations, surveys and studies of market potential, publicity and advertising, nutrition and sanitation education, exchange of management and technical personnel, technical assistance, and sales training.

One rather dramatic aspect of this cooperative work is our participation in international trade fairs. At the first of this year, American farm products had been shown in 48 such fairs, reaching over 23 million people in 17 countries.

So we see that there have been some changes -- some good changes -- in the agricultural export picture in these recent years. We have some new flexibility in our agricultural exporting. Where foreign customers have dollars, we try to sell for dollars. Where they don't have dollars, we often can move some of our products under the Public Law 480 program.

But I would like to emphasize that, despite our new Government export programs, our main emphasis is on expanding that portion of our agricultural exports that is sold for dollars. This is the preferred way to do business. Out of this year's expected exports of $4.5 billion, we estimate the dollar sales portion at $3.3 billion or 73 percent. This would be the second highest value of our farm products exported for dollars in history.

In the period ahead we expect to place considerable emphasis on two things. One is the constant promoting of our products in foreign markets through cooperative work with private groups such as your own. The other priority will be given to getting foreign trade barriers relaxed. No matter how hard we work on the merchandising end of foreign marketing, such work can be frustrated if the trade policies of other countries give our products only limited access to their markets. Many countries, especially those of Western Europe, are in good financial condition. The United State Government, at the highest levels, is insisting that trade barriers set up when foreign exchange was scarce be removed now that foreign exchange is plentiful.

So much for the broad export picture of which you are a part. I'd like to return now to the specific situation with regard to rice.

In the broad area of production, the rice industry has made outstanding progress. You have new high-yielding varieties of rice and you have improved methods of land preparation and water management. Your industry is using efficient machinery -- tractors, combines, dryers, and other time and labor saving devices. The same is true of other aids such as chemicals, fertilizers, weed killers, and insecticides.

In milling operations perhaps not as much progress has been made, for we still use in principle the ancient process of removing the bran layers on rice kernels by abrasive action -- but we have forged ahead in developing special processing and an infinite number of packaging methods.

It is to the marketing of rice that I would like to address the remainder of my remarks. Until a few years ago, I do not think our rate of progress was as great in the area of export marketing as it was in the areas of production and processing.

However, your industry has become very alert to export possibilities in recent years, considerable progress has been made -- and there is opportunity today to go even further.

Our success in export marketing of rice, in my opinion, depends on our ability to work successfully in these three phases of marketing: Research, education, and promotion. I would like to comment briefly on each.

Research. When I speak of research, I am thinking specifically of marketing research in the export field. In simple terms, this means getting to know your foreign customers, their likes, their dislikes, and their marketing capabilities. It means getting to know your competition, including any advantages they may have over you, as well as their product itself. It means getting thoroughly acquainted with world trade patterns and policies, including foreign import restrictions. This kind of marketing intelligence is essential to doing business in the world market. It means having at hand a wide range of accurate information ranging all the way from the physical characteristics and the cooking qualities of rice sold by our competitors to the legal and fiscal aspects of individual marketing transactions.

Education. This second category, education, refers to the work of informing potential customers everywhere of the story of rice and its place in the modern diet -- with emphasis on nutrition, versatility, and convenience. There are millions of consumers abroad who have the money to buy rice, who have grown up not knowing about rice, who are not aware of the additional zest that rice can bring to a meal, who still think of rice as a food for Oriental people rather than a worldwide food for all people to enjoy.

This educational job is tied in closely with the marketing research work that I mentioned previously. The educational job done by your industry has to be built

on up-to-date knowledge of the foreign market. The educational phase of market development can be adequately supported only as members of your industry have wide knowledge and backgrounding in the foreign market situation.

Promotion. My final point I have called promotion. Partly this is education but it goes beyond education because it includes a multitude of aggressive actions -- some organizational, some depending on sheer ingenuity and creativity -- to make as many consumers as possible favorably disposed toward rice.

The organizational phase of promotion includes not only the work done by your own association -- often in close cooperation with the Department of Agriculture -- but also establishing and carrying out joint action with foreign groups, such as importers, who also have a stake in getting wide use of rice foods.

The other phase of promotion is the promotional work itself -- the advertising, the use of displays and demonstrations, the actual publicity techniques that bring rice to the attention of consumers.

Some of these three lines of activity -- that is, research, education, and promotion -- already are under way by the U.S. rice industry, supported by your own organization. Your representatives have made marketing surveys in Asia, South America, and Europe, in cooperation with the Foreign Agricultural Service. This research has been considerably furthered by personal trips that many of your people have made to countries within these areas.

The newly established European Rice Promotion Project in Western Europe is an example of both education and promotion. This has been set up through an agreement between the Foreign Agricultural Service and the U.S. Rice Export Development Association, of which as you know your association is a member. The purpose of this project is to carry on a general educational program on rice in Europe, in cooperation with local national groups, and gradually to move into direct promotional activities.

I think there is no question but what promotional work already under way is helping your foreign sales. For example, exports of U.S. rice to Western Europe have soared from 850,000 hundredweight in the 1956-57 year to nearly 2.4 million hundredweight last year, and with an even greater sales total expected this year. This expansion has come about largely through a combination of the payment-in-kind program, barter and export promotion activities. On the promotion side, exhibits and demonstrations of U.S. rice at international trade fairs is one good example. Last year I had the opportunity to spend a little time at the international food show held in Lausanne, Switzerland. I was impressed with the exhibit and the keen interest in U.S. rice, its packaging, and its uses that was shown by the many thousands of visitors. I hardly need tell you that the success of this showing -- and other similar showings at other trade fairs -- was due in no small way to Si Grider who I found to be doing a most commendable job in demonstrating and furthering the story of U.S. rice.

A good start has been made in getting your export development activities under way. There remains a lot of hard work as you go forward to become even more effective in this work.

There have been and there will continue to be phases of foreign marketing of rice in which the Government plays a role. The Foreign Agricultural Service has an outstanding marketing specialist -- Dexter Rivenburgh, who is well known to many of you -- and who works full time in the field of foreign marketing. Through our world-wide attache system, we gather information continuously and report to you on foreign competition and foreign marketing problems and opportunities. Through the Public Law 480 program, we help find substantial foreign outlets for U.S. rice in areas which lack exchange with which to buy in commercial dollar markets. Also, some of the foreign currency proceeds from the P.L. 480 program are put to work as matching

funds in support of our joint foreign market development projects. Such work we expect to continue and perhaps to expand in some respects.

But much of the progress that has been made in getting market development under way has been possible only because of the contributions of the rice industry itself. There will be need for not less but even more of such activity in the period ahead. As work goes on to expand our foreign rice markets, industry must contribute more and more of its resources of experience and trained personnel, as well as a growing portion of the financial part of the venture. I think that thus far we have seen one major accomplishment -- proof that a sound industry-Government relationship can be developed which can effectively work on the problems of export marketing.

In closing, may I repeat what we believe to be the three avenues to expanded foreign marketing of U.S. rice:

(1) Continuing research on marketing as a basis for action;

(2) A strengthened educational program to broaden consumer understanding of the role of rice in modern nutrition and to get our own industry highly conscious of foreign consumer preferences;

(3) Active promotion to get the rice story told far and wide.

Thank you for this fine opportunity to meet with you. Through your association you are contributing to broader markets for U.S. rice and I am sure you will in the future add effectively to this excellent work. We of the Department want to lend a helping hand wherever it is desirable that we do so.

June 2, 1960
Statement ... before
House Committee
on Agriculture
Washington, D.C.

UNITED STATES DEPARTMENT OF AGRICULTURE

STATEMENT OF ASSISTANT SECRETARY OF AGRICULTURE
CLARENCE L. MILLER
BEFORE THE HOUSE COMMITTEE ON AGRICULTURE

June 2, 1960

Mr. Chairman and members of the committee:

I appreciate the opportunity to discuss with you today proposed amendments of Public Law 480 (The Agricultural Trade Development and Assistance Act of 1954).

We are nearing the completion of fiscal year 1960 programming. Agreements signed during the year have already established a record high. Exports continue high in total as well as those under Title I foreign currency sales.

Emphasis on dollar sales

In previous testimony before this committee we have emphasized the Department's policy to promote dollar exports of agricultural commodities. We continue to support this policy.

During the six years Public Law 480 has been in operation, about two-thirds of our agricultural exports have been commercial sales outside the Government programs of Public Law 480 and the Mutual Security Act. Commercial sales for dollars have been especially prominent during the current year. The value of U.S. agricultural exports in this fiscal year ending this month is expected to total $4.5 billion, second only to the record year of 1956-57 which was stimulated by the Suez crisis. Of this total, about $3.3 billion represents commercial sales for dollars. This

almost equals the record year for dollar exports, 1951-52, which was also stimulated by an international crisis, the Korean conflict.

Fiscal year 1960 Public Law 480 operations

On the other hand, we are promoting vigorously the use of food for peaceful purposes through Public Law 480 programs, particularly Title I foreign currency sales. We are making considerable progress towards the objective of still greater utilization of U.S. agricultural surpluses abroad. Multi-year agreements such as those negotiated with the Governments of India and Pakistan highlight these efforts.

Emphasis is now being given to negotiation of Title I agreements on a multi-year basis. This will assure recipient countries of an adequate supply of commodities over a longer period and will permit more effective procurement and shipping operations.

Multi-year agreements were entered into this fiscal year with Colombia, Peru, Pakistan, and India. The agreements with Colombia and Peru provide for shipment of wheat over a three-year period. The Pakistan agreement involves about 37 million bushels of wheat for shipment over a two-year period.

The agreement with India provides for the shipment of nearly 600 million bushels of wheat and 22 million bags of rice over a four-year period. This is the first agreement signed for more than three years.

We plan to continue to negotiate multi-year agreements for commodities such as wheat which are clearly in surplus supply to countries where there is apparent opportunity for increased consumption.

Obviously, the number of multi-year agreements that can be negotiated is limited.

Exports under Title I during the current year are expected to reach at least $800 million at world market prices or about 18 percent of total U.S. agricultural exports.

Agreements signed under Title I this year total a record $1.6 billion in terms of cost to the Commodity Credit Corporation and more than $1 billion in terms of world market prices. This level was achieved even though the programming figures take into account only the first year of the four-year program negotiated with India last month.

Exports under Title I of Public Law 480 have been especially important this year for particular commodities. For example, about 300 million bushels of wheat, or about 60 percent of total U.S. wheat exports, are expected to move under Title I. Feed grain exports will approximate 60 million bushels; also, nearly 10 million bags of rice, 40 million pounds of tobacco, 600 million pounds of soybean oil and cottonseed oil, and about 700,000 bales of cotton.

Tables are attached to this statement showing Title I programming for the fiscal year 1960 in terms of dollar amounts and approximate quantities of commodities and planned uses of foreign currencies.

Also attached is a draft bill submitting proposed language to amend Public Law 480. In furtherance of the Food for Peace program, we request the Congress to amend Title I to permit grants of food for the establishment of national food reserves in food deficit countries, and to permit transfer of Title I foreign currencies to the International Development

Association. Our request as originally submitted and incorporated in H.R. 12104 also provided for amendments of Title II to use grant commodities in economic development and to authorize payment of general average claims arising out of ocean shipping of grant commodities. These provisions have already been enacted in the Mutual Security Act of 1960 as amendments to Public Law 480.

Establishment of national food reserves under Title I

The national food reserve amendment proposes to make food commodities, principally wheat, available to underdeveloped countries to help them meet consumption needs in times of emergency. Wheat for reserve purposes would be financed under the Title I program and would move directly through private trade channels in the same manner as presently operated Title I programs.

Collection of the foreign currency equivalent of the sales prices would be delayed until the wheat is withdrawn for use through commercial outlets. On the other hand, payment of the foreign currency could be waived for quantities used for emergencies resulting from floods or other disasters which the U.S. determined justified the granting of food under the provisions of Title II of Public Law 480.

This proposal is designed to help underdeveloped countries which are subject to recurring crop shortages. In times of such shortages, consumption of wheat, for example, is cut back substantially while programs are developed to import food. Establishment of national reserves would serve to maintain consumption levels while imports are arranged

for and begin to arrive. Such reserves also could be used to promptly meet needs resulting from natural disasters such as floods.

The total quantity of wheat and other commodities which might be exported for national food reserves would be relatively small compared with annual U.S. exports.

Countries importing food for reserve purposes would own the commodity and would be responsible for the cost of storage and for storage and handling operations necessary to maintain the reserves. Certain safeguards required by the U.S., however, would be specified in the Title I agreement authorizing such reserves.

Use of foreign currencies by the International Development Association

Our legislative recommendation contains language to add a new Section 104(s) to Title I of Public Law 480 which would permit the transfer of part of the sales proceeds to the International Development Association.

Senate Resolution 264, 85th Congress, requested the Executive Branch to consider the establishment of an International Development Association as an affiliate of the International Bank for Reconstruction and Development (commonly called the World Bank). The Executive Directors of the World Bank formulated Articles of Agreement for establishing the proposed IDA, and these Articles are now before the Congress and other member countries of the Bank for approval.

As you know, the World Bank has contributed significantly to the economic development of its members for fourteen years. The proposed

new affiliate is designed to promote the economic development of less-developed member countries by providing finance on terms more favorable than conventional loans.

Countries subscribing to the Association are divided into two categories: one group including the United States is made up of economically stronger countries whose initial subscriptions of approximately $763 million will be entirely in gold or convertible currencies. The remaining $237 million, making up the $1 billion total subscriptions, will be supplied by the group of less-developed countries, and is payable 10 percent in gold or convertible currencies and the remaining 90 percent in their national currencies. Separate legislation is now before the Congress to provide for the U.S. subscription of $320.3 million.

In addition to the initial subscriptions, the Articles of Agreement authorize the IDA to receive as "supplementary resources", funds from one member in the currency of another member. Under this provision, the United States would seek to transfer to IDA foreign currencies received in payment for agricultural commodities exported under Title I of Public Law 480, and it is to this end that the amendment before you is directed. If this new currency use is enacted, we contemplate setting aside some of the proceeds from certain Title I agreements for transfer to the IDA, for it to lend subsequently to the Title I country. This set-aside, of course, must be negotiated with the country requesting the Title I agreement.

Amounts set aside in forthcoming agreements may be expected initially to approximate 10 percent of sales proceeds generated under the agreement, with set-asides from subsequent agreements with a country being determined in the light of experience in utilizing the currencies already reserved. Like the Section 104(g) funds for economic development loans to the foreign government, the funds transferred to IDA would be regarded as a "country use". We expect, however, that the terms on which IDA lends these currencies would not be more favorable than the terms available under Section 104(g).

The U.S. will expect to have a right to ask for a division of the earnings accruing to IDA out of the use of these currencies, but in exercising that right will take into account our holdings of and needs for a particular currency for U.S. agency uses. While it is not contemplated that currencies would be transferred to the IDA on a basis involving an obligation of repayment, there would nevertheless be provision that in the event of liquidation of IDA or withdrawal from IDA by the United States or the country whose currency was transferred, these currencies or the loan obligations arising out of them would be returned to the United States.

A representative of the Treasury Department is here today in the event clarification concerning the proposed International Development Association is desired.

Status of Title I funds

Last year's extension of Public Law 480 provided an additional

Title I authorization of $1.5 billion for each of calendar years 1960 and 1961, plus any amounts unused from previous authorizations.

We carried into calendar year 1960 about $500 million which was not used under previous authorizations. Our total programming ceiling for calendar years 1960 and 1961, therefore, was about $3.5 billion. The four-year agreement with India and the two-year wheat program with Pakistan have committed more than $2.2 billion of this total. With increasing emphasis to negotiate multi-year programs, we expect this authorization will be sufficient for programming through June 1961.

Uses of foreign currency

As we have indicated in previous hearings, the use of Title I sales proceeds is an attractive part of the Title I agreement to recipient countries. During the past year the pattern of allocating currencies among the various uses has changed. Amounts being loaned back to these countries for economic development continue to be the largest single currency use. Under existing agreements more than 45 percent of the total currencies to be generated is set aside for this purpose.

Grants of currencies, also for economic development, have increased sharply as the size of Title I programs has grown in certain countries. On a total basis to date, about 10 percent of the currencies will be

granted to importing countries. Signed agreements during the current fiscal year provide that the equivalent of about $285 million, or more than 25 percent of the total, will be used for economic development grants. This amount for grants in FY 1960 agreements exceeds the total amount set aside for this purpose during the first five years of the program.

The third use of currencies of direct benefit to the recipient country involves grants for military assistance. About seven percent of the currencies has been reserved for this purpose during the life of the Title I program. The bulk of this use is concentrated in a few countries important in mutual security operations.

Currencies used by the U.S. include those for agricultural market development, loans to private business firms under the Cooley amendment, educational and informational programs, and the construction of housing for military dependents.

We are pleased with our experience in conducting agricultural trade promotion projects in cooperation with commodity trade groups. It was five years ago that the first market development project was signed by the Foreign Agricultural Service and the National Cotton Council of America. Since that time, we have developed about 370 projects in 40 countries, for which the Department has furnished $22 million in foreign currencies and the trade has furnished 7 million in dollars and services.

We have witnessed expanded trade along all commodity lines as a result of these trade promotion projects. We have told the poultry

story many times. It is worth repeating because the U.S. has become the world's leading exporter of poultry meat when only a few years ago U.S. exports of poultry were extremely small. Soybean exports to Italy have been increased. The same is true for tobacco to Thailand, France, and Japan; tallow to Japan; and cotton to France and Japan.

A significant part of the trade promotion effort is the agricultural trade fair program. We have had exhibits in about 50 fairs to acquaint millions of potential customers with the availability and quality of U.S. farm products.

We believe the program to loan currencies to private business firms under the Cooley amendment has also been particularly successful. The equivalent of more than $300 million is set aside for loans for this purpose. I need not go into detail as to the results of this program since I understand the Export-Import Bank of Washington from time to time gives progress reports to this committee. I do want to say, however, that these loans are contributing to the economic growth of underdeveloped countries and furnishing employment to many of their people.

I would like to comment briefly on H.R. 12104 which proposes to make loan repayments from private business firms available again for the same type of loan--in effect a revolving fund for Cooley amendment loans. It was the intention of the Executive Branch to make recommendations during this session of the Congress on the use of loan repayments, both with respect to the Cooley amendment and economic development loans.

We have proceeded deliberately on this problem because (1) the

size of loan repayments has not yet become substantial and for the mcst part are salable by the Treasury for appropriated funds, and (2) the complexity of the problem warrants extensive study. Further complications arise because of operations of the Development Loan Fund and the International Development Association. Therefore, we are again requesting that legislation regarding the use of loan repayments be deferred until the next session of the Congress.

Title IV--Long-term supply commitments

I am sure the committee is interested in what the Department is doing to implement the new Title IV enacted last September which contemplates long-term commodity agreements to friendly countries on a dollar credit basis.

The Department, under this new authority, has developed pilot proposals for countries in representative geographic areas and for commodities which are in burdensome supply. These proposals also were developed with the objective of expanding dollar sales, retaining the U.S. share of the market, and facilitating increased consumption of agricultural commodities.

It is expected that the pilot programs will be ready for negotiation with the countries involved within sixty days. Experience gained in these pilot programs will provide a basis for future Title IV programming.

H.R. 11609 and H.R. 12292

In regard to H.R. 11609, the Department is not in favor of this bill. The provisions of Section 1 of this bill

have already been enacted by the Congress in the Mutual Security Act of 1960.

We are opposed to Section 2 because we do not feel it is consistent with the intent of Section 416 of the Agricultural Act of 1949. We believe work relief projects entail complex administrative problems that can best be handled by direct U.S. control and supervision on a government-to-government basis, as provided for under Title II of Public Law 480. At the same time we believe furnishing these commodities to needy persons, free of any charge or other payment, is more consistent with the voluntary agency program. Further, to use donated foods to pay for processing costs would displace normal markets. The processor in accepting payment in kind would, naturally, use the commodities so acquired in place of his normal purchases.

H.R. 12292 proposes to amend Public Law 480 by making it optional whether cotton which is exported under a barter contract be the identical cotton acquired from CCC or an equal quantity of substitute cotton. It provides further that when substitute cotton is bartered or exchanged in whole or in part, the total cost in U.S. dollars (basis free on board vessel, United States port) at which each shipment of cotton was acquired by the foreign importer from the U.S. firm, as evidenced by a true copy of the invoice certified by such United States firm, is equal or exceeds the exchange value of the cotton acquired from the Commodity Credit Corporation.

The Department is opposed to the enactment of this legislation.

We have had experience in the past with programs which permitted

the exportation of substitute cotton and with programs which did not permit substitution. It was possible under barter programs which permitted substitution for an exporter to buy expensive cotton from CCC, to sell this cotton in the domestic market, and to export cotton of a much lower value. A contractor taking advantage of this loophole was, in effect, bartering foreign materials both for cotton and for dollars rather than bartering for cotton alone which is the manner in which we believe our program should operate.

Under the present program, CCC is assured that the exchange value of the cotton will equal or exceed the value of the material. The cotton to be exported against a barter contract must be obtained from CCC and such cotton must be exported. Thus CCC can now determine that the value of the cotton is not less than the value of the material. We do not believe that a plan based on the provisions of H.R. 12292 would be workable. The only evidence of the value of the cotton bartered would be a certified copy of the seller's invoice which would not necessarily have to reflect the actual quality of the cotton or its actual current market value. The Department has been criticized by the General Accounting Office and Congressional committees in connection with the procedure for determining the value of cotton exported under Title I of Public Law 480. It has been contended that in spite of all the reviews and checks that we found it feasible to make, that some excess profits may have been made in connection with cotton so exported. Under the proposed bill, CCC would have to rely solely upon the exporter's certification. Such certifications, particularly where cotton is moved

on consignment to an affiliated organization in a foreign country, would have little significance and would place the small exporter who is not in a position to bill cotton to a foreign affiliate at a competitive disadvantage.

It is our view that sufficient quantities of cotton are available for sale by CCC and listed in the catalog issued by the New Orleans office to adequately fulfill foreseeable barter deals. We prefer to continue to require the exportation of the identical cotton so that CCC may be in a position to know that it is in fact exchanging cotton to be exported for foreign materials to be imported without permitting windfalls through the substitution of other cotton for that acquired from CCC.

In addition to describing the amendments we are requesting, I have touched on some aspects of programming and other Public Law 480 operations which we felt would be of interest to the committee.

We will be glad to discuss any of these matters in greater detail and to answer other questions which you may have.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Foreign Agricultural Service
Washington 25, D. C.

SDS-11-60

Title I, Public Law 480.--Agreements signed from beginning of program (as modified by purchase authorization transactions) through May 31, 1960

Number	Country	Date signed	Market value excluding ocean transportation	Ocean transportation	Estimated CCC cost including ocean transportation
			1,000 dollars	1,000 dollars	1,000 dollars
1 - 22	Fiscal Year 1955		326,074	28,585	465,786
23 - 59	Fiscal Year 1956		616,317	56,982	957,937
60 -100	Fiscal Year 1957		908,950	127,069	1,471,847
101 -135	Fiscal Year 1958		673,210	58,483	1,000,613
136 -158	Fiscal Year 1959		799,366	100,874	1,204,364
159 -187	Fiscal Year 1960 through April 30, 1960		634,852	91,079	1,063,998
188	India	May 4, 1960	270,250	48,750	529,750
189	Finland	May 6, 1960	100	--	100
190	Pakistan	May 27, 1960	440	80	700
	Subtotal, July 1, 1959 through May 31, 1960		905,642	139,909	1,594,548
	Total, all agreements signed through May 31, 1960		4,229,559	511,902	6,695,095

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6/3/60

TABLE I.--Commodity composition of programs under Title I, Public Law 480 agreements signed through July 1, 1959 through May 31, 1960

Country	Wheat and flour	Feed grains	Rice	Cotton	Tobacco	Dairy products	Fats and oils	Other	Total: Market value	Total: Ocean transportation 1/	Total: Market value including O.T.	Total: Estimated CCC cost including O.T.
	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars
China (Taiwan)	5.2	--	--	--	--	--	--	--	5.2	.8	6.0	9.6
Colombia	23.2	--	--	--	1.1	--	3.4	--	27.7	3.9	31.6	44.7
Finland	--	--	--	1.8	2.4	--	--	2/ .4	4.6	.1	4.7	5.4
Greece	--	5.5	--	--	--	--	--	--	5.5	.8	6.3	6.4
Iceland	.6	.5	.1	--	.4	--	.1	2/ .4	2.1	.1	2.2	2.5
India	3/ 423.3	4.7	3/ 52.4	45.2	.5	--	--	--	526.1	3/ 90.8	616.9	985.7
Indonesia	--	--	9.9	--	--	--	--	--	9.9	1.4	11.3	16.2
Israel	11.2	9.9	.6	.8	.2	--	4.2	--	26.9	3.3	30.2	38.9
Pakistan	82.9	--	--	1.7	1.0	.4	12.0	--	98.0	16.6	114.6	172.1
Peru	7.5	--	2.6	--	--	--	.9	4/	11.0	1.0	12.0	17.6
Poland	37.0	9.8	--	.9	--	--	--	--	47.7	5.8	53.5	79.5
Turkey	17.2	1.3	--	--	--	--	13.5	--	32.0	3.0	35.0	47.1
UAR (Egypt)	52.5	3.6	--	--	6.4	--	4.0	--	66.5	7.2	73.7	101.4
UAR (Syria)	4.6	3.9	--	--	--	--	--	--	8.5	1.4	9.9	12.7
Uruguay	18.5	5.2	--	3.8	--	--	--	--	27.5	3.5	31.0	47.2
Viet Nam	--	--	--	1.2	4.7	--	--	--	5.9	.3	6.2	7.0
Yugoslavia	--	--	--	--	--	--	--	2/ .4	.4	--	.4	.4
Total agreements July 1, 1959 thru May 31, 1960	683.7	5/44.4	65.6	55.4	16.7	.4	6/38.1	1.2	905.5	140.0	1,045.5	1,594.4
Total agreements thru June 30, 1959	1,442.7	240.4	213.3	611.6	182.7	44.5	526.0	62.9	3,324.1	371.7	3,695.8	5,100.2
Total agreements thru May 31, 1960	2,126.4	284.8	278.9	667.0	199.4	44.9	564.1	64.1	4,229.6	511.7	4,740.3	6,694.6

1/ Includes only ocean transportation to be financed by CCC. 2/ Dried fresh and/or canned fruits.

3/ Includes only the amounts to be financed during the first year of the 4-year agreement signed May 4, 1960: $241.25 million wheat, $29.0 million rice, and $48.75 million ocean transportation. Additional amounts of $723.75 million wheat, $87.0 million rice, and $146.25 million ocean transportation to be financed after January 1, 1961.

4/ Poultry - $50,000; ocean transportation - $5,000.

5/

	Mil. dol.
Corn	24.6
Barley	14.7
Grain sorghums	5.1
Total	44.4

6/ Cottonseed and/or soybean oil.

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TABLE II.--Approximate quantities of commodities under Title I, Public Law 480 agreements signed through July 1, 1959 through May 31, 1960

Country	Wheat and flour	Feed grains	Rice	Cotton	Tobacco	Dairy products	Fats and oils	Poultry	Dry edible beans	Fruits and vegetables	Meat	Hay and pasture seeds
	1,000 bushels	1,000 bushels	1,000 cwt.	1,000 bales	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 cwt.	1,000 pounds	1,000 pounds	1,000 cwt.
China (Taiwan)	3,246	--	--	----	--	--	--	--	--	--	--	--
Colombia	12,695	--	--	--	1,100	--	27,755	--	--	--	--	--
Finland	--	--	--	12.5	3,692	--	--	--	--	4,223	--	--
Greece	--	4,173	--	--	--	--	--	--	--	--	--	--
Iceland	408	408	11	--	440	--	833	--	--	3,659	--	--
India	1/ 258,835	3,715	1/10,142	353.8	500	--	--	--	--	--	--	--
Indonesia	--	--	1,650	--	--	--	--	--	--	--	--	--
Israel	6,639	7,977	114	6.4	265	--	33,069	--	--	--	--	--
Pakistan	50,155	--	--	5.3	1,111	3,667	88,185	--	--	--	--	--
Peru	4,409	--	495	--	--	--	9,000	145	--	--	--	--
Poland	22,106	8,464	--	7.2	--	--	--	--	--	--	--	--
Turkey	10,368	1,031	--	--	--	--	110,000	--	--	--	--	--
UAR (Egypt)	33,686	2,657	--	--	9,921	--	33,069	--	--	--	--	--
UAR (Syria)	2,904	3,083	--	--	--	--	--	--	--	--	--	--
Uruguay	11,042	3,962	--	30.0	--	--	--	--	--	--	--	--
Viet Nam	--	--	--	10.0	7,581	--	--	--	--	--	--	--
Yugoslavia	--	--	--	--	--	--	--	--	--	3,307	--	--
Total agreements July 1, 1959 through May 31, 1960	416,493	2/ 35,470	12,412	425.2	24,610	3,667	3/301,911	145	--	11,189	--	--
Total agreements through June 30, 1959	870,124	204,521	33,772	4,033.5	251,432	256,073	3,668,979	17,360	507	166,434	113,193	10
Total agreements thru May 31, 1960	1,286,617	239,991	46,184	4,458.7	276,042	259,740	3,970,890	17,505	507	177,623	113,193	10

1/ Includes only the quantities to be financed during the first year of the 4-year agreement signed May 4, 1960: 146,975 thousand bushels wheat, 5,512 thousand bags rice. Additional quantities of 440,924 thousand bushels wheat and 16,534 thousand bags rice to be financed after January 1, 1961.

2/

	Thous. bu.
Corn	18,929
Barley	12,010
Grain sorghums	4,531
Total	35,470

3/ Cottonseed and/or soybean oil.

FAS/POD
6/3/60

APPENDIX TABLE III. --.Uses of foreign currency as provided in Title I, Public Law 480 agreements signed July 1, 1959 thru May 31, 1960 1/
(Amounts are in dollar equivalents at the deposit rate of exchange.)

Country	Total amount in agreements (Market value including O.T)	104(c) Common defense	104(e) Grants for economic development	104(e) Loans to private enterprise	104(g) Loans to foreign governments	104(f) Payment of U. S. obligations	U. S. Agency uses 2/
	Thous. dol. equiv.	Thous. dol. equiv.	Thous. dol. equiv.	Thous. dol. equiv.	Thous. dol. equiv.	Thous. dol. equiv.	Thous. dol. equiv.
China(Taiwan)	6,000	5,100	--	--	--	--	900
Colombia	31,600	--	--	7,900	15,800	--	7,900
Finland	4,660	--	--	1,165	1,400	--	2,095
Greece	6,300	--	--	945	3,150	--	2,205
Iceland	2,225	--	--	--	1,688	--	537
India	616,870	--	239,040	29,220	269,820	--	78,790
Indonesia	11,300	--	1,700	2,800	5,100	--	1,700
Israel	30,200	--	4,200	6,000	14,000	--	6,000
Pakistan	114,620	--	41,132	11,452	41,132	--	20,904
Peru	12,050	--	--	3,012	5,423	--	3,615
Poland	53,300	--	--	--	--	--	53,300
Turkey	35,000	5,500	--	5,250	17,500	--	6,750
UAR (Egypt)	72,700	--	--	16,675	37,850	--	18,175
UAR (Syria)	9,600	--	--	2,400	4,800	--	2,400
Uruguay	30,800	--	--	7,700	15,400	--	7,700
Viet Nam	6,200	3,089	--	1,525	--	--	1,586
Yugoslavia	440	--	66	--	321	--	53
Total agreements July 1, 1959 - May 31, 1960	3/ 1,043,865	13,689	286,138	96,044	433,384	--	214,610
Total agreements through June 30, 1959	3,714,598	308,848	235,044	228,817	1,777,692	602,272	561,925
Total agreements through May 31, 1960	4,758,463	322,537	521,182	324,861	2,211,076	602,272	776,535
Uses as percent of total	100.0	6.8	10.9	6.8	46.5	12.7	16.3

1/ Amounts shown are subject to adjustment when actual commodity purchases and currency allocations have been made.

2/ FY 1960 agreements provide that a specific amount of foreign currency proceeds may be used under various U.S. use categories, including currency uses which are limited to amounts as may be specified in appropriation acts. Included are uses specified under subsections 104(a), (b), (f), (h), (i), (j), (k), (l), (m), (n), (o), (p), (q), (r) and sometimes (d) insofar as specified in agreements. For agreements signed prior to FY 1960, this table shows amounts reserved for the payment of U.S. obligations under 104(f).

3/ Amounts shown in this column may differ from amounts on Table I, which reflects purchase authorization transactions.

FAS/POD
6/3/60

A BILL

TO AMEND THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT of 1954

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agricultural Trade Development and Assistance Act of 1954, as amended, is further amended as follows:

(1) Section 104 of such act is amended by inserting a semi-colon after subsection (r) and adding the following new subsection:

"(s) For transfer to the International Development Association in such amounts as may be provided by agreement with the nation from which the foreign currency was obtained, to provide Supplementary Resources for use in accordance with the Articles of Agreement of that organization;"

(2) Title I of such act is amended--

(a) by adding at the end thereof a new section, as follows:

"SEC. 110. In order to facilitate the establishment of national food reserves in underdeveloped countries, surplus agricultural commodities may be made available by the President for such reserve purposes pursuant to an agreement with the recipient country requiring that payment shall be made when such commodities are withdrawn from the reserve, except that no payment shall be required for any quantities of such commodities which are used by agreement of the President

and the Government of the recipient country for purposes provided for in section 201 of this act, which agreement may provide for replacement of commodities so used under section 201. Agreements under which commodities are provided pursuant to this section shall specify whether any payment made thereunder shall be in foreign currency or in dollars, and the purposes authorized under section 104 of this act for which any such foreign currency payments may be used. In negotiating agreements under this section the President shall give effect to the requirements prescribed in section 101 for agreements entered into under that section."

(b) by inserting the words "or for grant" after the words "domestic exporters" in item (1) of subsection (a) of section 102, and by inserting the words "or grant" after the word "sale" in item (2) of subsection (a) of section 102.

EXPLANATION

The foregoing amendment would:

(1) permit use of Title I foreign currencies for transfer to the International Development Association;

(2) make surplus food commodities available to underdeveloped countries under Title I for national food reserves;

UNITED STATES DEPARTMENT OF AGRICULTURE

Aug. 20, 1960
exports and their effect on agriculture
N.Y. State Grange,
Chautauqua Lake,
N.Y.

EXPORTS AND THEIR EFFECT ON DOMESTIC AGRICULTURE

Remarks of Clarence L. Miller, Assistant Secretary for Marketing and Foreign Agriculture, U.S. Department of Agriculture, before the New York State Grange, Chautauqua Lake, New York, August 20, 1960.

Thank for your this opportunity to talk with you about marketing. And when I say "marketing," I refer not only to local marketing questions but to agricultural marketing in its broadest sense.

Most of you are interested, directly or indirectly, in the marketing of milk. You also produce grapes, and tree fruits, and potatoes, and a number of other products -- the agriculture of New York State is quite varied -- but your big interest is milk. There have been some developments in the milk picture of particular interest to this area. These include price trends, intermarket price relationships, and milk order programs. These matters are of primary interest to you -- for American agriculture as a whole, they are one aspect of the total marketing pattern.

The horizon of agriculture marketing has broadened. No longer can marketing be considered purely in local, regional, or even national terms. The boundaries of the farmer's market have been pushed to Europe, Asia, Africa, and Latin America. Whether he realizes it or not, the farmer -- even when he produces commodities that figure only to a slight extent in exports -- has a big stake in overall developments.

Our export shipments of farm products are large, any way you look at them. During the past fiscal year, the value of our agricultural exports came to $4.5 billion. In terms of volume, it was the best year we've ever had.

Export shipments represent the output of over 50 million acres of crop land. That's approximately equal to the harvested acreage of New York State, plus all the New England states, plus New Jersey, Pennsylvania, Ohio, Indiana, Michigan, and

Wisconsin. Production from one out of every $6\frac{1}{2}$ acres of harvested crop land is going overseas.

New export records have just been set for feed grains, rice, soybeans, cotton seed oil, soybean oil, poultry meat, lard, and tallow.

Meaning of Exports for New York Farmers

You probably are saying to yourselves, "All these figures are very impressive when set forth on a national basis, but New York State is not a big exporter of farm products. What does the agricultural export program mean to us?"

It means a great deal.

In this country all segments of the economy are related to each other, directly or indirectly. What happens to one economic group inevitably is felt by all others to some degree.

Healthy export markets for wheat and feed grain producers in the Middle West, and for cotton and tobacco producers in the South, means a stronger agriculture for the United States. A strong agriculture is an essential component of a strong overall national economy in which New York farmers, like all the rest of us, have a vital interest.

But you have an even more direct stake in seeing foreign markets continue to absorb the production from the 50 million acres or more that I mentioned a moment ago. Any lessening of exports means increased supplies of food and fiber on the domestic market. Big supplies of these "export" commodities could eventually mean a shift by their producers to other commodities -- possibly to products for the home market in direct competition with you. It is to your direct advantage that the "export farmers" keep on producing for export.

Our expanded export operations are not the result, by any means, of happenstance.

Since 1953 it has been the fixed policy of the U.S. Government to enlarge overseas marketings.

There has been a conscious effort in the past $7\frac{1}{2}$ years to develop permanent foreign markets for our farm products. There also has been a desire to use our abundance -- on a relatively short-term basis -- to promote peace and stability among the newly developing nations of the world.

Let's take a closer look at our export operations.

American agricultural exports fall into two categories. The bulk of our shipments -- about 70 percent -- go to the economically developed countries able to pay in dollars or other "hard" currency. Countries of West Europe are an example. We are doing a big cash business with those countries. The other 30 percent moves under special Government programs to the newly developing countries which need our food and fiber but are not able to pay in dollars. India and Pakistan are typical examples. Our special programs give them access to our surplus supplies on concessional terms.

The Developed Market

In our overall export operations we place the greater emphasis on traditional commercial sales for dollars. Export sales for dollars in fiscal 1959-60 amounted to $3.2 billion -- the second largest in history. As I mentioned a moment ago, most of these dollar sales were made to the developed countries. These include the countries of Western Europe, Canada, Japan, Australia, New Zealand and the Union of South Africa.

We can be glad that so much of our agricultural export business represents dollar sales. Selling for dollars is the traditional way of doing business. It is the way we distribute agricultural products here in our home markets and the way we want to

distribute them in foreign markets. Commercial marketing unquestionably is the most effective way of moving products from producer to consumer.

In an effort to further expand commercial sales we are carrying out a wide variety of operations.

Market development is one of these. This work is being carried on cooperatively with American agricultural groups, including producer groups and trade associations. Since 1955, approximately 370 government-industry projects have been carried on in 40 countries.

Market development includes surveys of market potential, advertising campaigns, translation and distribution of promotional leaflets, exchange visits of management and technical personnel of both U.S. and foreign trade groups, contests, and special appearances of "Dairy Maids" and "Cotton Queens." The U.S. also takes part in international trade fairs. To date we have participated in 50 fairs reaching some 25 million people. Two large fairs are scheduled for Western Europe this summer. One will be held in London and the other in Munich.

Here is an example of what market development can do.

In 1955 a poultry marketing specialist from the U.S. Department of Agriculture called on the head of a large Swiss retail grocery concern. This specialist had an idea that high quality broiler chickens, produced in the United States, could be sold in Switzerland. The Swiss are a rather cautious, conservative people and the Swiss firm's first trial order was small. However, Swiss consumers liked the U.S. broilers and asked for more. The grocery firm reordered. Before long other food importers jumped on the bandwagon. Altogether it has turned out to be a real marketing breakthrough. Sales soared from virtually nothing prior to 1955 to over 20 million pounds last year. Bigger exports are expected this year.

The Department of Agriculture is promoting marketing in other less dramatic, but no less effective ways.

For one thing, the Department is carrying on a comprehensive program of "agricultural intelligence." This consists of facts and figures on foreign production, consumption, crop conditions, exports, imports, tariffs, and the like. The information comes from agricultural attaches, stationed in 54 posts throughout the world, and from surveys and analyses by marketing and area specialists. This information is issued in a wide variety of publications which are available to anybody in a position to use them. It provides a background for American agriculture' participation in world marketing operations in an informed manner.

Grape growers here in Western New York have found out how important information is. I understand that a program was initiated on an information-swapping agreement between U.S. and Canadian grape growers which has helped to stabilize marketing. This shows what can be done when people of good will join hands to solve a problem.

The Department of Agriculture works closely with the Department of State and other Government agencies in efforts to reduce foreign barriers to trade. Market development activities cannot be very effective when foreign countries keep our good American products from competing through high tariffs, quotas, embargos, variable levies and other types of restrictions. We are having some success in gaining more liberal treatment for U.S. farm products in foreign markets -- but it is an important job that never ends.

Food-for-Peace

The other export "world" consists of the newly developing countries, such as those in Southeast Asia where huge populations are straining the ability of agriculture to meet the food needs of the people. It also includes some countries

in the Middle East, Southern Europe, and Latin America. Exports to these newly developing countries largely are carried on through special Government programs, most of them under authority of Public Law 480. This legislation enables us to sell surplus U.S. food and fiber to dollar-short countries for foreign currencies, to barter our surpluses for strategic materials for stock-piling, and in some cases to make outright grants and donations.

The size of these special programs is far greater than many people realize. Since 1954 a total of 6,425 shiploads of surplus farm products has been moved to needy countries, primarily under Public Law 480 authority. These shipments had a market value, through 1959, of well over 7 billion dollars.

Sales for foreign currencies have been, by far, the most significant of the special programs.

The largest foreign currency transaction -- and the biggest single grain deal in history -- was negotiated a short while ago between the United States and India. This four-year program will enable India to receive from us:

587 million bushels of wheat (half of a U.S. wheat crop).

22 million hundredweight of rice (half of a U.S. rice crop).

On the average, a shipload of food a day is moving to India as a result of this program.

India will pay the United States in rupees, not dollars. A big part of the rupees will be loaned and granted back to India for economic development. The remainder will be used to make loans to private U.S. and Indian business firms and for U.S. Government uses, including agency programs and agricultural market development.

Our donation programs are helping millions of people overseas. Last year we helped typhoon victims in the Ryukyu Islands and Japan. We helped refugees in Hong

Kong and the Middle East. We helped men, women, and children left homeless and destitute as a result of the recent earthquakes in Chile and Morocco. U.S. surplus food is distributed to some 62 million people in 91 countries and dependencies. Commodities donated are identified as gifts from the American people.

These foreign donations are a companion of the domestic donation activities. First call on available surpluses is given to the needy here at home, second call to those overseas.

Another aspect of our special programs is barter. We have bartered surplus agricultural products for strategic and other materials, such as manganese, chrome, and industrial diamonds. These food supplies also have helped to meet urgent needs abroad.

Our activities in helping the foreign needy have come to be called the Food-for-Peace program. This is a good description of the program. Our efforts to share our abundance unquestionably are promoting stability and, in a general way, furthering the cause of peace.

This is a two-way program. Not only are our foreign friends benefiting but so are we.

Export outlets are important to American agriculture, obviously. Exports put dollars in farmers' pockets. And when exports reduce supplies hanging over markets, domestic prices tend to strengthen.

But there are other benefits.

The humanitarian sharing of our abundance with needy people is a highly desirable end in itself. Through this sharing we are showing our friendship and good intentions toward many millions of people. That fact has not been obscured by occasional communist-inspired demonstrations overseas against the United States and its leaders.

In relieving hunger and promoting economic growth, we are strengthening the capability and will of weaker free-world countries to resist agression and subversion. That is one of the keystones of our American foreign policy.

Our food, technical assistance, and economic aid are promoting development among needy peoples. This eventually will mean permanent dollar markets for American farmers and businessmen.

In Conclusion

I would like to sum up my remarks my saying that the outlook for agricultural exports is good. We should continue to hold our position as the world's major exporter of farm products. The world's population is growing; the economies of most countries are improving. Altogether, this means increased demand for our products. American agriculture has the capacity to meet that demand.

Through our current export programs we are building the groundwork for bigger and better export programs in the future. We are promoting markets in the developed countries. We are furthering economic growth in the underdeveloped countries, and that eventually will mean expanded dollar sales for us.

What does the export future mean to New York farmers?

As we noted earlier, the question of whether it is your farm products or those of other American farmers that are exported is not the most important thing. What is important is that we as a nation continue to maintain a high level of agricultural exports. From this the farmers who are directly involved in exports will benefit -- from it you too will benefit -- for all of America's agriculture stands to gain from healthy, expanding outlets for our abundant production.

Oct. 1, 1960
World Affairs
and U.S. Farmers
La. Sugar Cane Festival
New Iberia, La.

UNITED STATES DEPARTMENT OF AGRICULTURE
Washington 25, D. C.

WORLD AFFAIRS AND U. S. FARMERS

Remarks by Clarence L. Miller, Assistant Secretary for Marketing and Foreign Agriculture, at Louisiana Sugarcane Festival, New Iberia, Louisiana, October 1, 1960.

I am delighted to take part in this Louisiana Sugarcane Festival.

Here in the heart of the Louisiana sugarcane area, we are honoring a crop that holds a unique place in our daily lives. We raise hundreds of products on our farms but at our dinner tables we have always reserved a special place for those products that add to the sweeter side of life.

Sugar is unique in an economic way. Historically, we have been exporters of our main agricultural crops. But not so with sugar. Even though we have substantially expanded our domestic production, we continue to buy large amounts of sugar from other countries -- and with the dollars they receive in payment, they in turn buy large amounts of products from the United States, including cotton and rice from Louisiana. Sugar is a stimulator of two-way trade.

My subject is "World Affairs and U.S. Farmers." In these few minutes I would like to relate some impressions of how closely interrelated are events outside the United States and our daily lives within the United States. More than that, I'd like to bring the subject right down to the state of Louisiana and to your own agriculture.

International relationships are woven all the way through the history of our American sugar industry. By as much as 50 years ago, a general pattern had taken place -- nearly half our sugar from domestic production, somewhat over half from imports. In the development of the domestic side of our sugar

program, Louisiana people were among the pioneers.

Changes in the sugar program have continued through the years. Import duties became less important as a source of revenue and more important as a protector of the domestic industry. In the depression '30s, the quota system was adopted to stabilize prices and income through regulation of production and marketings. Domestic sugar production has continued a general upward trend, despite short-run setbacks due to wars, cane mosaic, and program adjustments. Our domestic sugar need has greatly expanded and today we produce over half of that expanded need. Here in Louisiana, sugar production has doubled since the period immediately preceding quotas.

I said earlier that sugar is unique in the way it stimulates two-way trade. As an example, let's consider our two-way trade as it existed until recently with Cuba. In recent years the U.S. has bought about half a billion dollars worth of products annually from Cuba, about 75 percent of this being sugar. In turn, Cuba has bought approximately the same value of products from us, about 30 percent being agricultural. Cuba has looked to our agriculture as its principal source of rice, lard, tallow, wheat and flour, beans, pork products, and cotton, as well as many industrial items. Over 60 different agricultural items have been listed among our exports to Cuba.

Cuba's economy received great benefit from our purchases of sugar and we benefited in that these dollars came back to us in Cuba's purchases of U.S. products. This kind of trade has been beneficial to all concerned. It has helped Louisiana's cotton and rice growers, and it has provided jobs for the people who handle the great flow of traffic through the Port of New Orleans.

Mr. Castro has upset our traditional relations with Cuba but the general principle of mutually benefitting two-way trade with other countries remains.

Among our major agricultural products, we find in sugar both an obligation and an opportunity to maintain large imports at the same time that we protect and maintain a large and growing domestic industry. Since the early days of the sugar quota system, the countries from whom we buy substantial quantities of sugar have increased their agricultural imports from us about 14 fold.

Now, because of the attitude of the revolutionary Cuban Government, we find ourselves at a new and unexpected crossroad in our national sugar program. All of us regret that this turn of events has taken place, for we have enjoyed good relationships with Cuba for many years and we have an abiding friendship for the people of Cuba. For many decades, Cuba has been our principal foreign supplier of sugar and one of our important markets for agricultural and industrial products Cuba was the principal foreign beneficiary of our quota system and until recently not only did she meet our needs no matter what changes occurred in the volume required to maintain stable sugar prices in the U.S. but also increased her imports from us. Cuba's contributions to the success of our sugar program for many years justified the benefits she received.

Today, under Castro, all this has changed. Practically all of the Cuban sugar industry -- farms and factories alike -- have been taken over by the revolutionary government. Cuba no longer is an assured source of supply and, effective in July, the United States discontinued its sugar imports from Cuba for the remainder of 1960. Cuba is actively seeking to swing its business to the communist bloc and its importations of U.S. goods of all sorts have tapered off severely.

The shortsightedness of what is happening is on the part of the leaders in Cuba's Government and it is hurting her people severely. Our sympathy is with

the Cuban people. We look forward to the day when we can cooperate again as neighbors.

Our own housewives and food industry have nothing to fear regarding the future supply of sugar. In the first place, our domestic sugar production and supply situation is good. Although sugarcane acreage of farmers and sugar marketings of processors have been restricted in some recent years, there are no restrictions now nor will there be in 1961. Here in Louisiana, favorable weather throughout your sugarcane harvest could result in an all-time record production of both cane and sugar. Production in Florida is likely to set a new record. In the domestic beet area, a record crop is probable despite acreage controls still in effect for the current crop. Secondly, arrangements have been made with other sugar producing countries to supply the sugar we will not be buying from Cuba this year. Some of this sugar has already been shipped. World supplies of sugar are very large, and many countries would like to sell us additional amounts of sugar even above our actual needs.

Next spring -- on March 31, 1961 -- the Sugar Act will expire. These intervening months will be a period of adjustment and of discussion. As we consider changes in the new program, let us be broad in our thinking and keep in mind that our agricultural interests, as well as our over-all national interests, involve many commodities and are world-wide in scope. The importation of almost half of our sugar requirements has been one of the factors in maintaining stable prices for sugar, fair to both consumers and producers, and free from boom and bust. At the same time, imports of sugar have helped us to export more of our other farm commodities.

Some will say "Why not produce all of our own sugar?" Such an objective would involve vast outlays for new processing plants, could not be attained for

some time, and would lead to higher average costs and higher prices to consumers. It would further increase the world supply of sugar, which already is excessive. It would magnify the difference between world and U.S. sugar prices and would intensify demands by consumers that the spread be narrowed. By continuing to import a substantial portion of our sugar supply, we can maintain a healthy domestic industry, give fair prices to consumers, and offer a balanced participation by American agriculture in international trade.

From sugar, I would like to turn now to rice, another of your great crops in Louisiana and another commodity with which we link the names of Cuba and Castro.

Important as Louisiana's sugarcane is, your state's farm income from rice is even greater. Recent figures show your annual income from rice production to be around $60 million, which makes if your third most valuable crop, exceeded only by cattle and cotton.

Now if all the families in the United States would eat as much rice as the families of Louisiana, you would sell all your rice, and even more, in our domestic market. But some people have been slow to learn what a wonderful food rice is, and so you have to export a large part of your crop -- last year, over half of it.

Until recently, Cuba has been one of our rice industry's highly important customers and has been buying around 4 million bags a year, mostly long grain. Louisiana growers have supplied a large part of these shipments.

But from July 1 to early September, Cuba bought less than a quarter million bags of U.S. rice, about one-fourth her usual imports. She is looking increasingly

to other sources, one of these being the United Arab Republic which, as you know, is made up of Egypt and Syria. She has contracted to buy a fairly small amount from Ecuador. She has made a deal with Communist China to swap sugar for rice. We keep hearing reports that Cuba is in touch with a number of other countries, too, in search of rice.

An interesting thing about Cuba's rice future is that her people strongly prefer long grain rice, just as most of us do. United States and Thailand are the principal long grain suppliers. This means that Cuba's consumers will have to depend more on shorter grain varieties. Sometimes it is the little things in life that are the most annoying. Rice is a basic food among the Cuban people, and if their revolutionary government cannot furnish the kind of rice they are accustomed to, this fact alone may contribute to discontent among the Cuban people

Meanwhile, how about our own rice industry? What can the loss of the Cuban market mean to us?

Just as with sugar, this is something that the United States can take in stride. Cuba has been important, but we have many other important outlets too. Our rice industry is having considerable success with its export program. Last year U.S. rice moved to a total of 84 different countries. While it is true that an important part of our rice is moving to underdeveloped countries under special Government programs, also we should note that last year 70 countries bought our rice in varying amounts for dollars. Our rice exports to Europe and Africa have increased greatly. Part of this increase is due to the Government's payment-in-kind export program, part is due to aggressive promotion in which your rice

industry and the Department of Agriculture are working closely together. As an example, there was a very attractive display and demonstration of American rice in September at the British Food Fair, in London, and this was attended by about a third of a million people. During the past two weeks we have had a similar big exhibit in Munich, Germany. Your industry is doing a most commendable job in making its good product known to the world.

As to the future of our rice exports, it looks good. World demand appears to be greater than the rice supply. Rice is a staple food for well over half the world's population. In view of the increasing population and buying power in most countries, I think that through close cooperation with your industry we should be able to find outlets for our present level of production.

I have been talking about sugarcane and about rice. In concluding my remarks, I would like also to pay tribute to the many other commodities of our agriculture which figure prominently in foreign trade and international affairs.

As all of you know who have ever visited the busy Port of New Orleans, our foreign trade in agricultural products is big business. We export large amounts of our field crops and processed commodities, and we import large amounts of commodities -- the kind we do not grow in the United States, such as coffee, tea, cocoa, and rubber, and the kind that supplement our own production, such as sugar. We are the world's biggest exporter of farm products and the second largest importer.

This past year the actual volume of our agricultural exports was the largest in history. I could tell you that the value came to $4.5 billion, but perhaps an easier way to visualize these exports is to say that the United States exported over 10 shiploads of farm products a day, every day of the year, to help feed and clothe the rest of the world.

These are times when we wonder what to do with all our available farmland. I think it's important to note that last year 57 million acres of it were used in producing for export. This is almost equal to the harvested acreage of all the 8 South Central States -- Kentucky, Tennessee, Alabama, Mississippi, Arkansas, Louisiana, Oklahoma, and Texas.

There are two kinds of countries that use our agricultural products. One group comprises the prosperous, advanced countries such as the United Kingdom, Japan, Canada, West Germany, and The Netherlands. These five headed the list of our best foreign customers last year. Countries such as these took 71 percent of our agricultural exports in 1959-60 and paid us in dollars. The other kind of foreign outlet is made up of countries we often call underdeveloped. A better term is newly-developing. India is a leading example. India lacks purchasing ability now but someday hopes to become a cash customer. We moved 29 percent of our agricultural exports to such countries last year, under the special concessional terms that we call the Food-for-Peace program.

The Food-for-Peace program includes sales of our surplus commodities for foreign currencies, barter for strategic materials, and donations to the foreign needy. Through it we help to bridge the chasm between our abundant supplies and the hungry people abroad who need these supplies but lack buying power. Through this program, over the next four years, we have arranged to move 22 million hundredweight of rice to India, which is half a U.S. rice crop. The program also includes a large amount of wheat. India will pay in rupees, rather than dollars. Not only will this rice and wheat help to feed India's 400 million people but also much of the sale proceeds will be loaned or granted back to India's Government to help support economic development.

To me this program makes sense in several ways. It provides an additional outlet for our abundant production. It brings additional income to our farmers. It helps to support our foreign policy and to hold the free world together at a time when communism is our most dangerous threat.

I have tried here today to give you some of the facts as I know them about our sugar situation, our rice situation, and our general agricultural situation -- placed in the larger framework of our international relationships.

We have our domestic agricultural problems which must be solved, and I have not even attempted to review them. But when we consider the role of American agriculture in world affairs, the answers are more clear-cut. I think we find agreement among all people and all parties that American agriculture today is making a substantial, responsible contribution to our nation's foreign policy. In addition to helping to feed and clothe the world's people, our agriculture is a constant source of strength to the entire free world.

The agricultural future of our nation is bright. And I know that you people of Louisiana, with your progressive agricultural outlook, will be contributing to that bright future tomorrow, just as you are doing so effectively today.

Oct. 7, 1960
Agribusiness
in the machine age
Wichita Kiwanis Club
Wichita, Kan.

UNITED STATES DEPARTMENT OF AGRICULTURE
Washington 25, D. C.

"AGRIBUSINESS IN THE MACHINE AGE"

Remarks by Clarence L. Miller, Assistant Secretary for Marketing and Foreign Agriculture, at Luncheon Meeting of the Wichita Kiwanis Club, Wichita, Kansas, October 7, 1960.

The Department of Agriculture has just issued its annual Yearbook of Agriculture under the title "Power to Produce." This book reports the technological revolution that is changing not only our agriculture but our way of living. The title of my talk, "Agribusiness in the Machine Age," is not original with me. I borrowed it from one of the articles in the new Yearbook because I thought it particularly reflects the strong mutual interests of you business people and our modern farmers.

This fine article on agribusiness was written by my good friend, Earl Butz, now dean of the School of Agriculture, Purdue University, and my predecessor as Assistant Secretary of Agriculture. I would like to quote the first two paragraphs:

"Modern agriculture is much broader than the narrow dictionary definition -- 'the art of science of cultivating the ground.' It is the whole business of supplying food and fiber for a growing population at home and abroad.

"The art of science of cultivating the ground is but one link in the long chain of feeding and clothing people. The chain begins many jobs before we reach the farm and continues several processes after our newly produced food and fiber leave the farm gate. For this whole complex of agricultural production and distribution functions some persons use the term 'agribusiness'."

The new census shows that Kansas now has a population of close to 2 million 200 thousand persons. It is estimated that about one-sixth of your

population is made up of farm people, five-sixth non-farm. But under the agribusiness concept, it's becoming harder and harder to say who is a farmer and who is not. The dealer who sells the tractor and the man who sells the gasoline for the tractor are both helping the farmer do his job.

Cash receipts by Kansas farmers were well over a billion dollars last year, and this money moved into the economic blood stream of your state and is helping to supply the livelihood of all your people. But behind this big income have been the varied contributions of many kinds of industry and many kinds of people, including you people here today.

Your very able senator, the Hon. Frank Carlson, not long ago asked the Department of Agriculture to make a study of what the wheat enterprise means to our national economy. The results were quite revealing. The study showed that the actual growing of wheat on U.S. farms last year required 109,000 man-years of labor. But this figure is only a starter. To it must be added the part of employment in other industries which directly relates to wheat -- the machine industry, the chemical industry, the transportation and storage industries, the food processing industry, the wholesale and retail industries, etc. You find, then, that for every one person employed in growing wheat on the farm, seven additional persons are employed off the farm in support of that production. Instead of thinking about 109,000 man-years of labor on wheat farms, we have to think about the 876,000 man-years of total employment that results from wheat.

I think I detect today on the part of some city people a growing impatience with the seeming inability of agriculture to come up with clear-cut solutions to its problems. I have heard city friends speak of farm problems in a completely detached way as though city people and farm people lived in

two different worlds. You people are realists and you know that this separation between city and farm cannot and does not exist. City people and farm people must live together and progress together.

Agriculture's big concern today is how to handle technology and the abundance it produces in such a way that farmers are helped, not penalized, by efficiency. This concern must be widely shared. The dealer who sells the tractor and the man who sells the gasoline for the tractor are involved, right along with the farmer who drives the tractor. The banking industry is involved -- today it takes around $90,000 of financing to set up an efficient wheat farm. The steel industry is involved -- farmers are a bigger market for steel products than the passenger car industry. The power industry is involved -- about 97 percent of our farms are electrified, and it is on farms and in rural areas where the greatest expansion in consumer use of electricity is taking place.

The technological revolution with which agriculture is trying to cope is giving us this year the biggest crop in history. The surplus supplies in the hands of the Commodity Credit Corporation will continue to be huge.

Our September crop report estimated the wheat crop at 1,368 million bushels, which is one-fifth more than last year and one-fourth more than average. It estimated the milo (grain sorghum) crop at 591 million bushels, which is slightly above last year and about 2-1/4 times the average. For both wheat and milo, the new crop is being piled on top of last year's crop. For both grains, holdover stocks are so big that they alone could supply this year's domestic needs and exports without using the new crop.

I think we all regard our big supplies with mixed feelings. From one point of view, they represent a magnificent tribute both to American farmers

with their ability to produce and to you people of the agribusiness community who help make our efficient agriculture possible. They cause our agriculture to be the envy of the rest of the world. They enable our country to participate in a Food-for-Peace program in which we help friendly newly developing countries such as India by sharing with them great quantities of our commodities.

From the other point of view, our abundance is actually super-abundance. Our surpluses are difficult to handle; management and storage of them is costly to the Treasury. The problem is one of degree. How do we produce abundantly but not super-abundantly? How do we produce what is needed at home, for export, and for reasonable reserves, then taper off our production at approximately that point?

It is not enough that farmers, the Congress, and the Department of Agriculture will be searching for answers in the period ahead. The additional participation by all of you in the agribusiness community will be needed.

My own special field of responsibility is marketing. Smaller production, necessary though it may be at this time for some commodities, is essentially a negative approach. We also need to seek answers through the positive approach of expanded markets.

There are opportunities both in the United States and abroad to expand the use of wheat and feed grains:

At home, we need to keep educating our growing population on the merits of wheat foods. We need to make effective use of the school lunch program as an outlet for wheat foods and animal products. We need to keep on improving our feeding techniques and our livestock industry so as to bring animal products even more within the reach of our consumers.

Overseas, we need to continue promoting the sale of our farm products in the prosperous countries where incomes are high and diets are improving. We need to sell maximum amounts of feed grains to countries that are expanding their livestock and poultry industries, such as those of Western Europe. We need to push hard for easement of trade barriers so that our farm products have access to and can compete in the foreign markets. We need to continue to back up our foreign policy with programs such as the Food-for-Peace program, which helps friendly underdeveloped countries to feed their hungry people and assists their economic development.

The future demands strong marketing organization and leadership, and in this respect I think we can all be proud of how well our agriculture has responded. Effective marketing work is going forward today for every major U.S. agricultural product under programs of community organizations, farm organizations, state departments of agriculture, and the U.S. Department of Agriculture. In many instances, this combined approach is very new. Certainly this is true of wheat and feed grains.

Your own Kansas Wheat Commission has become extremely active in its marketing work, and I want to commend the contributions being made under the leadership of the Commission's chairman, R. L. Patterson, and its administrator, Walter Graber. Your farmers have their own state wheat organization, Kansas Association of Wheat Growers, which operates under the capable leadership of Anson Horning. These organizations, in turn, are affiliated with the wheat groups of surrounding states in the comparatively new organization, Great Plains Wheat, Inc. The Department of Agriculture and Great Plains Wheat, Inc., are working together very closely on a number of marketing projects to increase the sales of U.S. wheat in foreign countries. As you know, another highly

respected Kansan, Clifford R. Hope, who served you so well during some 22 years in Congress, continues to serve in his new capacity as president of Great Plains Wheat, Inc.

To organizations such as these has been added the new United States Feed Grains Council, made up of the various groups which together support and carry out the feed grain operations of the country. This new Council is giving leadership to the effort to push our record feed grain exports to even higher levels in the years ahead.

The expanding of markets is not easy. It requires education, promotion, and negotiation. It requires persistence, patience, and skill. I believe that in our foreign marketing we are achieving this combination.

Through our agricultural attaches stationed in all principal countries, we have on hand the "intelligence" that is needed to guide our foreign marketing. Through a Government-wide approach, we are seeking to get trade barriers reduced so that our farm products can compete in foreign markets. (And this action is taking place at this moment in Geneva, Switzerland, where we are negotiating within the structure of the General Agreement on Tariffs and Trade.) Through close cooperation between private industry and government, we are carrying out a vast array of specific promotional projects in various countries, all aimed at increasing the sales of our farm products. (For example, probably half a million British and German consumers saw the exhibits of U.S. farm products at international trade fairs last month in London and Munich.) Through the Food-for-Peace program, we are moving additional amounts of farm products to friendly countries that need them but lack the dollar finances to buy in the commercial market.

This combined approach is paying off. The volume of U.S. agricultural exports this past fiscal year was the largest in history. In actual value,

our agricultural exports totaled $4.5 billion. The United States exported over 10 shiploads of farm products a day, every day of the year, to help feed and clothe the rest of the world.

By far the greater part of our agricultural exports move as a result of dollar sales - last year, 71 percent. Our best customers are the prosperous advanced countries such as the United Kingdom, Japan, Canada, West Germany, and The Netherlands. These are our five biggest customers but many more also buy with dollars.

Last year, 29 percent of our agricultural exports moved to the newly-developing countries, such as India, under special Government programs. The biggest such program is Public Law 480, sometimes spoken of as the Food-for-Peace program. This program has two aspects: It helps move our surplus food and fiber to countries that lack the hard currency needed to buy in the commercial market; it helps strengthen the economic development programs of such countries.

The Government export programs have come to serve a highly important function in our exporting of wheat. In the 1959-60 year, U.S. wheat exports totaled 512 million bushels, which is nearly half a wheat crop. About two-thirds of these exports moved under the special export programs. Furthermore, in order to bring our price in line with world prices, all wheat exported was aided through an export subsidy which averaged 62 cents a bushel.

While these Government programs play an essential role, we also face the fact that our wheat industry has become highly dependent on them. Our objective is to export a maximum amount of farm products through sales for dollars. With only one-third of our wheat exports moving for dollars, we have a long way to go in meeting this objective.

When we consider our agriculture as a whole, our foreign marketing future looks very good. Last year we exported the output of 57 million acres of cropland. This more than equals the harvested acreage of Kansas, Nebraska, and South Dakota. In this current year we expect the export level to be comparable to last year's.

In the years ahead, we expect further export increases, especially in dollar sales. For example, there is very good prospect for expanding our future exports of feed grains.

But exports, important as they are, will not be the ultimate solution to our production problems. The world market is not a bottomless pit; there are limits to its ability to absorb our huge production.

We have only to look at our own home market to see the problem of expanding markets for such a commodity as wheat. Right after World War I, our per capita consumption of wheat flour was 175 pounds; now it's down to 120 pounds. It will take hard work and imagination to help wheat hold its own in our domestic market and strengthen its place in foreign markets. Perhaps part of the answer lies in new and inexpensive ways to prepare and merchandise wheat foods, ways that will tempt the world's housewives. There is a real challenge for you businessmen to put your own experience and facilities to work on this problem.

The final answer to our problem of super-abundance, in the final analysis, will be made up of several answers. One will be the continued expansion of exports but the others will be closer to home. In my opinion, these answers will have to meet a number of important requirements. They must be of such nature as to encourage agricultural efficiency, provide an income commensurate with the individual farmer's investment and expenditure of labor, provide

equality with organized business and labor, encourage a family type enterprise, give maximum freedom for individual initiative and decision, and be in harmony with the broader needs of our nation and of our foreign policy.

It will be difficult to find the right answers, but we all have an important stake in finding them — farmers, government, and city people. Let me say in conclusion that in seeking these answers, we not only welcome, we request your continued understanding and help.